Note; This document is a partial translation of "Kessan Tanshin" for the Third quarter of the Fiscal Year Ending December 31, 2019 and is provided solely for reference purposes. In the event of any inconsistency between the Japanese version and any English translation of it, the Japanese version will govern.

Summary of Financial Statements (Consolidated) for the Third Quarter of the Fiscal Year Ending December 31, 2019 (Japanese GAAP)

November 8 , 2019

Company Name: CAC Holdings Corporation
Stock Exchange: Tokyo Stock Exchange
Code Number: 4725
URL: https://www.cac-holdings.com/
Representative: Akihiko Sako, President and Chief Executive Officer
Contacts: Iori Sakai, Chief Manager, Enterprise Value Up Group, Corporate Planning Dept.
Tel: +81-3-6667-8010
Scheduled date of dividend payment: -
Scheduled date to submit the quarterly securities report (Shihanki Hokokusho):November 12, 2019
Supplementary documents for financial results: None
Financial results briefing: None

(Note that all amounts are rounded down to the nearest million yen, unless otherwise specified)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending December 31, 2019 (January 1, 2019 through September 30, 2019)

(1) Consolidated Results of Operations (cumulative) (Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine month ended September 30, 2019	37,827	1.2	1,039	17.9	966	19.1	3,954	744.6
Nine month ended September 30, 2018	37,394	(7.2)	881	84.6	811	105.5	468	(32.9)

(Note) Comprehensive income
Nine month ended September 30, 2019 1,515million yen (-57.3%)
Nine month ended September 30, 2018 3,551million yen (-12.3%)

	Net income per share	Net income per share (fully diluted)
	Yen Sen	Yen Sen
Nine month ended September 30, 2019	221.16	–
Nine month ended September 30,208	25.40	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen Sen
As of September 30, 2019	46,979	28,304	58.6	1,563.84
As of December 31, 2018	46,968	28,857	59.9	1,527.13

(Reference) Shareholders' equity As of September 30, 2019 27,511 million yen
As of December 31, 2018 28,152 million yen

(Note) CAC Holdings Corporation (the "Company") has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28; February 16, 2018), etc. since the beginning of the consolidated first quarter under review. The results for the fiscal year ended December 31, 2018, presented in this report have been reorganized in accordance with the above amendments.

2. Dividends

	Dividend per share				
	End of the first quarter	End of the second quarter	End of the third quarter	End of the fourth quarter	Year end Annual
	Yen Sen	Yen Sen	Yen Sen	Yen Sen	Yen Sen
Year ended December 31, 2018	-	19.00	-	19.00	38.00
Year ending December 31, 2019	-	25.00			
Year ending December 31, 2019 (Forecast)	-	-	-	25.00	50.00

(Note) Revisions to dividends forecast published most recently: No

3. Forecast of Consolidated Financial Results for the Fiscal Year ending December 31, 2019
(January 1, 2019 through December 31, 2019)

(Figures in percentages denote the year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen Sen
Full-year	51,500	3.2	1,500	5.1	1,400	2.3	1,700	28.8	95.96

(Note) Revisions to the forecast of Consolidated Financial Results published most recently: Yes

*The Company resolved the acquisition of treasury shares in the meeting of the Board of Directors held on February 14, 2019. Net income per share stated in the forecast of consolidated financial results reflects the estimated impact of the acquisition of treasury shares.

※Notes

(1) Important changes in subsidiaries for the Third Quarter of the fiscal year ending December 31, 2019 (changes in specified subsidiaries resulting in a change in the scope of consolidation): Not applicable

(2) Apply specific accounting to the preparation of quarterly consolidated financial statements: Not applicable

(3)Changes in accounting principles and changes or restatements of accounting estimates

(i) Changes in accounting principles due to the amendment of accounting standards, etc.: Not applicable

(ii) Changes in accounting principles other than (i): Not applicable

(iii) Changes in accounting estimates: Not applicable

(iv) Restatements of accounting estimates: Not applicable

(4) Number of shares outstanding (common stock)

(i) Total number of shares outstanding (including treasury stock) as of the end of each period:	As of September 30, 2019	20,541,400 shares	As of December 31, 2018	20,541,400 shares
(ii) Total number of treasury stock as of the end of each period:	As of September 30, 2019	2,949,005 shares	As of December 31, 2018	2,106,145 shares
(iii) Average number of issued shares for each period (cumulative period)	As of September 30, 2019	17,880,011 shares	As of September 30, 2018	18,435,257 shares

*The consolidated financial statements under the Financial Instruments and Exchange Act are outside the scope of review.

* Cautionary note regarding the use of the Forecast of Financial Results and other special notes

・The forecasts of financial results and other forward-looking statements contained in this document are calculated based on the information which is available to the Company and assumptions that the Company deems to be reasonable as of the date hereof. Therefore, they do not constitute a guarantee that they will be realized. Please note that the actual results may differ due to various factors. For matters related to the above forecasts, refer to the accompanying materials.

4. Qualitative Information on Financial Results for the quarterly business results under review

(1) Summary of business results

In the three-quarter period of the consolidated fiscal year under review (January 1, 2019, through September 30, 2019), net sales rose only 1.2% year-on-year, to 37,827 million. Despite brisk IT demand from the domestic IT business's existing customers, the conclusion of the CRO business's large-scale project and other CRO projects being scaled back led to lessened revenue growth. Although we recognized M&A-related expenses this quarter, our increase in revenue overall caused operating income to rise 17.9% year-on-year, coming to ¥1,039 million, and ordinary income to increase 19.1% year on year, to ¥966 million. Profit attributable to owners of parent amounted to ¥3,954 million (compared with ¥468 million for the same period last year), due to recording ¥5,295 million in extraordinary income from the divestment of investment securities.

Results by segment are as follows. The net sales presented in this report represent the net value of goods and services sold to external customers.

(Unit:million)

	Nine month ended September 30, 2018		Nine month ended September 30, 2019		YoY Change	
	Net Sales	Segment Profit	Net Sales	Segment Profit	Net Sales	Segment Profit
Domestic IT	21,689	537	23,712	1,246	2,023	708
Overseas IT	7,455	(226)	7,872	(32)	417	193
CRO	8,250	570	6,242	(174)	(2,007)	(745)
TOTAL	37,394	881	37,827	1,039	432	157

<Domestic IT>

Net sales rose to ¥23,712 million (9.3% increase year-on-year), reflecting growth in businesses with pharmaceutical industry clients and trust banks. These higher sales impacted income for the segment, bringing it to ¥1,246 million (131.9% growth year-on-year). The segment is expected to remain strong, capturing customers' IT demand for the fourth quarter of the fiscal year as well (October 1, 2019, through December 31, 2019).

<Overseas IT>

Net sales increased 5.6% year-on-year, to ¥7,872 million, remaining around the same period last year. Despite expenditures related to the acquisition of shares in Mitrais Pte. Ltd. as announced on September 24, 2019, the segment managed to reduce losses to ¥32 million (compared with losses of ¥226 million for the same period last year), having reduced SG&A expenses by restructuring certain businesses for profitability—particularly its India subsidiary.

This India subsidiary comprises most of the overseas IT segment's profits, and we anticipate worsening market conditions will continue to weigh the segment down. However, we will continue working to reduce costs by revising the SG&A expense structure.

<CRO>
Net sales decreased 24.3% year-on-year, to ¥6,242 million, reflecting the completion of a large project and the scaling back of projects. The segment incurred a loss of ¥174 million (compared with a profit of ¥570 million at this time last year), as significantly lower sales made it unable to fully absorb fixed costs, despite cost-cutting efforts.
The fourth quarter should remain more challenging than initially forecast. We will continue to curtail costs and focus on increasing the number of contracts we receive, in preparation for the next fiscal year.

The CAC Group is focused on enhancing the profitability of existing businesses, shifting to new technologies and creating new business domains based on the Medium-Term Strategy (FY2018 – FY2021). In terms of existing businesses, we have developed an application jointly with Recruit Staffing Co., Ltd. for a "smile training" service utilizing emotion-recognition AI, as well as concluded a contract with Cyberlink Corporation, a global leader in AI facial recognition technology, to act as sales agent for their products. We also began tie-ups and collaborations with domestic companies to offer new technologies to clients, particularly in the pharmaceutical industry, and we opened Nagasaki BPO Center to act as a new base of BPO (Business Process Outsourcing) services.
As an entry into new business domains, we expanded the range of our ICT business by acquiring shares in Mitrais Pte. Ltd., a company with knowhow and knowledge of best practice regarding "agile software development." This software development method is anticipated to become more and more of an industry staple in the future.
We are committed to enhancing profitability and pursuing business which uses new technologies oriented towards today's digital shift.

(2) Summary of financial position
(Assets)
Total assets at the end of the third quarter of the consolidated fiscal year under review amounted to ¥46,979 million, an increase of ¥11 million from the end of the previous consolidated fiscal year. Major factors behind this change include increases of ¥4,158 million in cash and deposits, ¥416 million in notes and accounts receivable – trade, and ¥1,111 million in tangible fixed assets. This offset a decrease of ¥2,999 million in securities and ¥3,677 million in investment securities.

(Liabilities)
Total liabilities at the end of the third quarter of the consolidated fiscal year under review amounted to ¥18,675 million, an increase of ¥564 million from the end of the previous consolidated fiscal year. Major factors behind this change include increases of ¥805 million in notes and accounts payable – trade, as well as ¥596 million in reserve for bonuses. This offset a decrease of ¥966 million in short-term loans payable.

(Net assets)

Total net assets at the end of the third quarter of the consolidated fiscal year under review amounted to ¥28,304 million, an increase of ¥552 million from the end of the previous consolidated fiscal year. Major factors behind this change include an increase of ¥3,165 million in retained earnings, a decrease of ¥2,355 million in valuation difference on available-for-sale securities, and the acquisition of additional treasury shares increasing treasury shares by ¥1,302 million.

(3) Summary of future outlook including consolidated financial results forecast

While the domestic IT business will continue to perform well, supported by strong IT customer demand, the CRO business will continue to perform well below our expectations at the beginning of the year, due to a slump in new contract acquisition and scaling back of projects. Similarly, we anticipate our overseas IT business's Indian subsidiary will lose momentum as market conditions worsen in the country and M&A (Mitrais Pte. Ltd.) expenses will be incurred. Although we recognized ¥5,295 million in extraordinary income from the divestment of investment securities, we plan to recognize business restructuring expenses (extraordinary loss), as part of efforts to improve profitability from next year. For all these reasons, we have altered the earnings forecast for the current consolidated fiscal year (year ending December 31, 2019) which we originally announced on February 14, 2019. We now expect ¥51,500 million in net sales, ¥1,500 million in operating income, ¥1,400 million in ordinary income, and ¥1,700 million in profit attributable to owners of parent. For details, please see the "Notice of Posting of Extraordinary Loss and Revision to Full-Year Results Forecast."

5．Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Rounded down to the nearest million yen)

	As of December 31, 2018	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	9,387	13,546
Notes and accounts receivable - trade	8,605	9,021
Securities	3,799	800
Merchandise	223	159
Work in process	577	932
Supplies	11	18
Other	1,681	2,159
Allowance for doubtful accounts	(323)	(243)
Total current assets	23,963	26,393
Non-current assets		
Property, plant and equipment	1,228	2,339
Intangible assets		
Goodwill	903	790
Other	674	615
Total intangible assets	1,577	1,405
Investments and other assets		
Investment securities	17,222	13,544
Deferred tax assets	748	1,000
Other	2,492	2,532
Allowance for doubtful accounts	(265)	(237)
Total investments and other assets	20,199	16,840
Total non-current assets	23,005	20,585
Total assets	46,968	46,979
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,928	3,733
Short-term loans payable	1,997	1,030
Current portion of long-term loans payable	37	15
Income taxes payable	1,528	1,376
Provision for bonuses	330	926
Provision for loss on order received	30	56
Other	3,908	3,806
Total current liabilities	10,760	10,945
Non-current liabilities		
Long-term loans payable	2,016	2,007
Net defined benefit liability	3,746	3,353
Deferred tax liabilities	1,124	352
Other	463	2,015
Total non-current liabilities	7,350	7,729
Total liabilities	18,111	18,675
Net assets		
Shareholders' equity		
Capital stock	3,702	3,702
Capital surplus	3,725	3,692
Retained earnings	16,474	19,639
Treasury shares	(1,972)	(3,274)
Total shareholders' equity	21,929	23,758
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,280	3,924
Foreign currency translation adjustment	(72)	(179)
Remeasurements of defined benefit plans	15	7
Total accumulated other comprehensive income	6,223	3,752
Non-controlling interests	704	792
Total net assets	28,857	28,304
Total liabilities and net assets	46,968	46,979

(2) Consolidated statements of income and consolidated statement of comprehensive income

Consolidated statements of income

(Rounded down to the nearest million yen)

	From January 1, 2018 to September 30, 2018	From January 1, 2019 to September 30, 2019
Net sales	37,394	37,827
Cost of sales	29,836	30,094
Gross profit	7,558	7,732
Selling, general and administrative expenses	6,676	6,693
Operating profit	881	1,039
Non-operating income		
Interest income	26	21
Dividend income	116	115
Share of profit of entities accounted for using equity method	4	2
Gain on adjustment of account payable	-	86
Other	119	75
Total non-operating income	266	301
Non-operating expenses		
Interest expenses	193	160
Commitment fee	2	2
Foreign exchange losses	54	39
Loss on investments in partnership	60	120
Other	25	51
Total non-operating expenses	336	374
Ordinary profit	811	966
Extraordinary income		
Gain on sales of investment securities	370	5,295
Other	-	0
Total extraordinary income	370	5,295
Extraordinary losses		
Impairment loss	-	78
Loss on retirement of non-current assets	-	22
Loss on liquidation of business	158	-
Business office renovation expenses	-	147
Other	1	46
Total extraordinary losses	159	294
Profit before income taxes	1,022	5,967
Income taxes - current	648	1,952
Income taxes - deferred	(98)	16
Total income taxes	549	1,968
Profit	472	3,999
Profit attributable to non-controlling interests	4	45
Profit attributable to owners of parent	468	3,954

Consolidated statement of comprehensive income

(Rounded down to the nearest million yen)

	From January 1, 2018 to September 30, 2018	From January 1, 2019 to September 30, 2019
Profit	472	3,999
Other comprehensive income		
Valuation difference on available-for-sale securities	3,111	(2,355)
Foreign currency translation adjustment	2	(119)
Remeasurements of defined benefit plans, net of tax	(35)	(8)
Total other comprehensive income	3,078	(2,483)
Comprehensive income	3,551	1,515
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,550	1,483
Comprehensive income attributable to non-controlling interests	0	32

(3) Notes to the Consolidated Financial Statements

(Notes on Going Concern Assumption)
Not applicable

(Note on significant changes in the amount of shareholders' equity)
Not applicable

(Additional information)
(Application of Partial Amendments to “Accounting standard on tax effect accounting”)
Partial amendments to “Accounting standard on tax effect accounting” (Corporate Accounting Standards No. 28, February 16, 2018) were applied at the beginning of the first quarter of the consolidated fiscal year. Deferred tax assets are included in “Investments and other assets,” and deferred tax liabilities are included in “Non-current liabilities.”

(Segment information)
Information on amounts of net sales and profit (loss) by reportable segment
The third quarter of the previous consolidated cumulative fiscal year
(January 1, 2018 to September 30, 2018) (Unit: million yen)

	Reportable segment				Adjustment	Amount on quarterly consolidated statement of income (Note)
	Domestic IT	Overseas IT	CRO	Total		
Net sales						
Net sales to external customers	21,689	7,455	8,250	37,394	-	37,394
Intersegment sales or transfers	216	1,221	4	1,442	(1,442)	-
Total	21,905	8,676	8,254	38,837	(1,442)	37,397
Segment profit (loss)	537	(226)	570	881	-	881

(Note)The total amount of segment profit (loss) corresponds to the amount of operating income in the quarterly consolidated income statement.

The third quarter of the consolidated cumulative fiscal year under review
(January 1, 2019 to September 30, 2019) (Unit: million yen)

	Reportable segment				Adjustment	Amount on quarterly consolidated statement of income (Note)
	Domestic IT	Overseas IT	CRO	Total		
Net sales						
Net sales to external customers	23,712	7,872	6,242	37,827	-	37,827
Intersegment sales or transfers	172	983	4	1,160	(1,160)	-
Total	23,885	8,855	6,247	38,987	(1,160)	37,827
Segment profit (loss)	1,246	(32)	(174)	1,039	-	1,039

(Note) The total amount of segment profit (loss) corresponds to the amount of operating income in the quarterly consolidated income statement.

(Significant subsequent event)

Business combination through acquisition

At a Board of Directors meeting held September 24, 2019, the Company resolved to acquire all issued shares of Mitrais Pte. Ltd., an IT company based primarily in Indonesia, and make the company a subsidiary. That same day, the Company concluded the share transfer agreement, later acquiring the shares on October 18, 2019.

(1) Overview of the business combination

i. Name of acquired company and its business lines

Name of acquired company　Mitrais Pte. Ltd.

Business lines　Software sale/maintenance, software development outsourcing service

ii. Main reason for business combination

As stated in our Medium-Term Strategy, the CAC Group aims to become a corporate group which can meet the rapidly changing needs of “digital transformation” and grow sustainably. To that end, we are incorporating new technologies and changing our business structure. The age of digital transformation will require that companies quickly and flexibly offer systems aligned with a dizzyingly fast-changing business environment. This has led experts to predict that “agile software development” will become widespread as an effective way to develop system in much shorter time. We decided to make Mitrais a subsidiary so that we could promote and strengthen the use of agile software development within the Group, using Mitrais’s experience and knowhow working with agile development in Indonesia and Australia, as well as their many expert software engineers.

Going forward, we will share Mitrais’s agile development knowhow and knowledge of best practice throughout the CAC Group, enabling Group companies (especially in Japan) to both acquire new customers and offer agile development services to existing customers. Additionally, we will aim to make inroads into the Indonesian market, to further the growth of CAC Group.

iii. Date of business combination　October 18, 2019

iv. Legal form of business combination　Cash purchase of shares

v. Name of company after combination　No change to company name after the combination

vi. Acquired voting rights ratio　100%

vii. Main basis for decision to acquire

The Company acquired shares at a reasonable corresponding cash value.

(2) Acquisition cost of the acquired company and its breakdown

Acquisition cost	Cash	¥2,290 million (28 million SGD)
Acquisition price		¥2,290 million

(3) Description of conditional acquisition costs outlined in the business combination agreement, as well as policy regarding future recognition of costs
Shares were acquired under the condition that after acquiring the shares for 80.5% of the acquisition purchase price of 35 million SDG, the remainder would be additionally paid, changing in proportion to the acquired company's performance over a set period. This cost is not defined at this time.
When this additional cost is incurred, we will recognize it as an expense paid at the time of acquisition, amending the acquisition price, amount of goodwill, and amount of goodwill amortized.

(4) Description and amount of main expenses related to the acquisition
Not defined at this time.

(5) Amount and cause for goodwill, amortization method, and amortization period
Not defined at this time.

(6) Amount of assets and liabilities accepted as of the date of business combination and their major breakdown
Not defined at this time.

6. Supplementary Information

(1) Consolidated Orders Received by Segment

(Rounded down to the nearest million yen)

	Nine month ended September 30, 2018		Nine month ended September 30, 2019		YoY Change	
	Amount	Vs total(%)	Amount	Vs total(%)	Amount	%
Domestic IT	22,333	59.0	24,572	63.8	2,238	10.0
Overseas IT	8,111	21.4	7,840	20.4	(271)	(3.3)
CRO	7,403	19.6	6,089	15.8	(1,314)	(17.7)
Total	37,848	100.0	38,502	100.0	653	1.7

(note) The above amounts do not include consumption taxes. In addition, it represents orders received to external customers.

(2) Consolidated Order Backlog by Segment

(Rounded down to the nearest million yen)

	Nine month ended September 30, 2018		Nine month ended September 30, 2019		YoY Change	
	Amount	Vs total(%)	Amount	Vs total(%)	Amount	%
Domestic IT	7,386	45.8	7,567	45.5	180	2.4
Overseas IT	1,896	11.8	3,134	18.9	1,238	65.3
CRO	6,847	42.4	5,914	35.6	(932)	(13.6)
Total	16,130	100.0	16,616	100.0	485	3.0

(note) The above amounts do not include consumption taxes. In addition, it represents order backlog to external customers.

(3) Consolidated Sales by Industry

(Rounded down to the nearest million yen)

	Nine month ended September 30, 2018		Nine month ended September 30, 2019		YoY Change	
	Amount	Vs total(%)	Amount	Vs total(%)	Amount	%
Financial services	4,771	12.8	4,305	11.4	(466)	(9.8)
Trust banks	3,148	8.4	4,127	10.9	979	31.1
Pharmaceuticals	11,908	31.8	10,447	27.6	(1,461)	(12.3)
Food services	2,053	5.5	2,142	5.7	89	4.3
Manufacturing	2,768	7.4	3,101	8.2	333	12.0
Service and others	12,743	34.1	13,702	36.2	958	7.5
Total	37,394	100.0	37,827	100.0	432	1.2

(note) The above amounts do not include consumption taxes. In addition, it represents sales to external customers.

END